

Message Text

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INFO OCT-01 EUR-12 EA-10 IO-10 ISO-00 PM-03 FEA-01 COME-00

ERDA-07 ACDA-10 CIAE-00 INR-07 L-03 NSAE-00 NSC-05

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SS-15 USIA-15 /127 W

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1379

INFO USMISSION EC BRUSSELS

USMISSION IAEA VIENNA

AMEMBASSY BONN

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DEPT FOR PM, OES, PASS ALSO COMMERCE, ERDA, ACDA, NRC

E.O. 11652: N/A

TAGS: TECH, FR

SUBJECT: FRENCH NUCLEAR PROGRAM UNDER REVIEW

REF: A) PARIS 00141 B) PARIS 08675 C) PARIS 07082

SUMMARY: AN INTERMINISTERIAL COMMITTEE WILL CONSIDER PROPOSALS TO LOWER THE REACTOR CONSTRUCTION RATE TO ABOUT 5000 MEGAWATTS PER YEAR, PERMIT ENTRY OF THE CEA INTO FRAMATOME, AND APPROVE A PROPOSED LINK-UP BETWEEN COMPAGNIE GENERALE D'ELECTRICITE OF UNCLASSIFIED

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FRANCE AND KWU OF GERMANY. THE LOWERED TARGET FOR NUCLEAR POWER COULD ELIMINATE CGE, A GE LICENSEE, FROM THE FRENCH MARKET FOR CONVENTIONAL REACTORS. WITHOUT CGE, FRENCH PRODUCTION CAPACITY PLANNED FOR

1978-79 WOULD DROP FROM 13000 TO 8000 MEGAWATTS PER YEAR. IF THE CEA OBTAINED A 34 PERCENT BLOCKING INTEREST IN FRAMATOME, IT WOULD BE IN A GOOD POSITION TO ACHIEVE ITS LONG SOUGHT GOAL OF "FRENCHIFYING" FRAMATOME'S WESTINGHOUSE REACTOR. THIS WOULD GIVE THE FRENCH MORE FREEDOM TO EXPORT. END SUMMARY.

RECONSIDERING NUCLEAR CAPABILITIES

1. THE INTERMINISTERIAL MEETING ON JULY 21 TO CONSIDER THE FRENCH PROGRAM PROVIDES A GOOD OCCASION TO REVIEW THE EVOLUTION OF THE FRENCH NUCLEAR INDUSTRY SINCE OUR LAST OVERVIEW IN JANUARY (REF A). DESPITE A RELATIVELY SMALL DOMESTIC MARKET, THE FRENCH GOVT HAS DELIBERATELY ENCOURAGED THE EXISTENCE OF TWO REACTOR CONSTRUCTION GROUPS: FRAMATOME, THE LICENSEE FOR THE WESTINGHOUSE PRESSURIZED WATER REACTOR (PWR) AND THE COMPAGNIE GENERAL D'ELECTRICITE (THROUGH SOGERCA), THE LICENSEE FOR THE GENERAL ELECTRIC BOILING WATER REACTOR (BWR). TWO TECHNOLOGIES WERE THOUGHT TO PROVIDE GREATER INSURANCE IN CASE ONE WAS FOUND UNSAFE OR IMPRACTICAL. ELECTRICITE DE FRANCE, THE ONLY DOMESTIC CUSTOMER, FAVORED TWO COMPETITORS TO KEEP PRICES LOW. THE LARGER CAPACITY ALSO SUITED FRENCH EXPORT AMBITIONS.

2. FRAMATOME, OWNED 51 PERCENT BY CREUSOT-LOIRE AND 45 PERCENT BY WESTINGHOUSE, GARNERED THE LION'S SHARE OF ORDERS FOR NUCLEAR REACTORS: 18 WITH 4 OPTIONS. IT IS INVESTING ABOUT \$100 MILLION TO INCREASE ITS CAPACITY TO PRODUCE PRESSURE VESSELS TO 8 PER YEAR BY 1976. CGE, A LATECOMER WITH ONLY TWO REACTOR ORDERS PLUS 8 OPTIONS, PLANS TO INVEST ABOUT \$200 MILLION IN DEVELOPING A PRODUCTION CAPACITY OF FIVE REACTORS PER YEAR BY 1978-9, PROVIDED IT WAS ASSURED OF SUFFICIENT CONTRACTS FROM EDF. THUS BY 1978 OR 1979, THESE AMBITIOUS PLANS CALL FOR A TOTAL PRODUCTION CAPACITY OF 13 NUCLEAR POWER REACTORS A YEAR, IN UNCLASSIFIED

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THE 900 TO 1000 MEGAWATT ELECTRIC (MWE) RANGE. WITH NO MORE THAN SIX A YEAR REQUIRED FOR THE DOMESTIC MARKET THROUGH 1980, AND LESS BEYOND, A STRONG EXPORT PERFORMANCE WOULD BE NEEDED TO AVOID EXCESS CAPACITY.

3. IN RESPONSE TO THE FINANCE MINISTRY, THE GIS-CARDIAN ADMINISTRATION APPEARS TO BE ADJUSTING ITS NUCLEAR POWER SIGHTS. LAST JANUARY, THE ELYSEE CHOSE TO ORDER 6000 MWE FOR 1976 AND AGAIN FOR 1977 INSTEAD OF 7000 AS URGED BY THE MINISTRY OF INDUSTRY AND RESEARCH AND EDF. NOW THERE IS CONSIDERATION OF LOWERING THE CAPACITY ORDERED FOR SUBSEQUENT YEARS TO AROUND 5000 MWE. A FACTOR IS THE CONTINUED

LOW GROWTH RATE OF ELECTRICITY DEMAND, REPORTEDLY ONLY
1.3 PERCENT FOR THE FIRST FIVE MONTHS OF 1975. MORE-
OVER, DURING THE PUBLIC NUCLEAR DEBATE OF THE PAST
YEAR (REF B), THE CRITICISMS MOST HEARD WERE THE
HASTE OF NUCLEAR POWER EXPANSION, THE CHOICE OF AN
"AMERICAN" REACTOR, AND THE SAFETY OF THE LIGHT WATER

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INFO USMISSION EC BRUSSELS

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REACTOR. THE GOF APPEARS TO BE RESPONDING TO EACH CON-
CERN.

CGE FIGHT FOR SURVIVAL

4. A SLOWDOWN IN NUCLEAR REACTORS ORDERS COULD
DRIVE CGE OUT OF FRENCH MARKET FOR CONVENTIONAL
NUCLEAR POWER REACTORS. (CGE SUBSIDIARIES WOULD
RETAIN PRIMARY CONSTRUCTION RESPONSIBILITIES FOR
THE 1200 MWE SUPERPHENIX FAST BREEDER POWER REACTOR.)
THERE WOULD SIMPLY NOT BE ENOUGH ORDERS FOR BOTH
CONSTRUCTORS. WHILE FRAMATOME IS ALREADY TOO WELL
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ENTRENCHED TO BE DISPLACED, CGE IS VULNERABLE. NEW TO THE LIGHT WATER REACTOR BUSINESS, CGE REQUIRES ASSURANCES OF ORDERS BEFORE IT INVESTS IN BUILDING SUFFICIENT INDUSTRIAL CAPACITY TO MAKE IT COMPETITIVE. AN INDUSTRIAL CONTACT SAID THAT CGE HAS ALREADY TOLD EDF IT CANNOT FULFILL ITS TWO ORDERS WITHOUT NEW ORDERS AND HIGHER PRICES. SAFETY IS ALSO A FACTOR. CGE'S FAILURE TO FILE SAFETY REPORTS WITH EDF RESULTED IN A SUSPENSION OF THE TWO CONTRACTS UNTIL AUGUST 8. IN ADDITION, THE SAFETY OF THE BWR HAS BEEN CHALLENGED FOLLOWING OPERATING DIFFICULTIES IN THE U.S.

5. CGE'S PRESIDENT, THE INFLUENTIAL AMBROSE ROUX, HAS REPORTEDLY HAMMERED OUT AN AGREEMENT WITH KRAFT-WERK UNION (KWU) OF GERMANY, A SUBSIDIARY OF SIEMENS AND AEG-TELEFUNKEN, TO MERGE THEIR RESPECTIVE NUCLEAR OPERATIONS. CGE WOULD, IN EFFECT, JOIN WITH SIEMENS REPLACING AEG,

(IRONICALLY, IT WAS ROUX WHO WAS MAINLY RESPONSIBLE FOR THE RECENT MERGER OF THE CII AND HONEYWELL-BULL COMPUTER FIRMS, A DECISION STRONGLY OPPOSED BY SIEMENS, CII'S PARTNER IN THE UNIDATA, REF C.) THE CGE-KWU AGREEMENT IS CONTINGENT ON APPROVAL BY THE TWO GOVTS. THE PROPOSED MERGER, AT LEAST ON PAPER, WOULD HAVE A FORMIDABLE CAPABILITY IN LIGHT WATER REACTORS, AN OPENING TO THE FRENCH AND GERMAN MARKETS AS WELL AS ACCESS TO FRENCH FAST BREEDER TECHNOLOGY. ROUX APPEARS TO BE SELLING THE PROPOSAL ON ITS "EUROPEAN" ASPECTS, EVEN CASTING ABOUT FOR AN ITALIAN PARTNER; BREDAS, FOR EXAMPLE, IS BUILDING TWO REACTOR VESSELS FOR CGE.

CEA TO ENTER FRAMATOME?

6. THE COMMISSARIAT A L'ENERGIE ATOMIQUE IS DISCUSSING WITH FRAMATOME AND CREUSOT-LOIRE (BUT NOT WITH WESTINGHOUSE) THE POSSIBILITY OF TAKING A BLOCKING SHARE OF FRAMATOME. THE PROPOSAL NOW UNDER CONSIDERATION CALLS FOR THE CEA TO BUY 34 PERCENT FROM WESTINGHOUSE, LEAVING THE AMERICAN FIRM WITH ONLY 11 PERCENT INTEREST. FOR FRAMATOME, THE PRESENCE OF THE CEA WOULD PRESUMABLY ENSURE ITS CONTINUED SHARE OF THE GOVT ORDERS AND IMPROVE THE UNCLASSIFIED

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PUBLIC IMAGE OF THE FIRM, NOW VULNERABLE TO CHARGES OF BEING CONTROLLED BY FOREIGNERS, THE BELGIAN BARON EMPAIN AND WESTINGHOUSE.

7. THE IDEA FOR THE CEA-FRAMATOME FUSION SOUNDS LIKE IT CAME DIRECTLY FROM THE CEA ADMINISTRATOR ANDRE GIRAUD, A LAST COUP BEFORE HIS TERM OF OFFICE ENDS EARLY THIS AUTUMN. GIRAUD HAS CONTINUALLY

TRIED TO TURN THE CEA TOWARD INDUSTRIAL ENDS. A
PARTICULAR TARGET IS TO MARKET A FRENCH VARIANT OF
THE LIGHT WATER REACTOR, AN OPTION REJECTED BY EDF

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AS UNRELIABLE AND COSTLY. FOLLOWING EDF'S REJECTION
OF THE CEA'S BID TO SCALE UP ITS SMALL LWR, DEVELOPED
TO POWER FRENCH SUBMARINES, THE CEA UNDERTOOK "PROJECT
CHAMPLAIN" IN 1973 TO DEVELOP A FRENCH LWR OF 1200
MWE. OUTSIDE THE CEA, HOWEVER, ENTHUSIASM FOR

CHAMPLAIN IS MEAGER. AS AN ALTERNATIVE, THE CEA HAS PERSUADED THE FRENCH GOVT TO NEGOTIATE WITH WESTINGHOUSE AND GE TO TURN THE LICENSE AGREEMENT INTO COOPERATIVE AGREEMENTS. IN RETURN FOR GIVING UP LICENSE FEES, THE AMERICAN FIRMS WOULD HAVE ACCESS TO THE CEA'S EXPERTISE, A DOUBTFUL EXCHANGE.
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HOWEVER, WITH A ONE-THIRD INTEREST IN FRAMATOME, THE CEA WOULD BE BETTER PLACED TO "FRENCHIFY" FRAMATOME'S REACTOR LINE.

8. BEFORE AUGUST, THE GOF PLANS TO DECIDE ON A COMPLEX SET OF ISSUES AFFECTING THE NATIONAL ENERGY PROGRAM, NUCLEAR EXPORT CAPABILITIES, ENRICHMENT NEEDS, AND EMPLOYMENT. THE BALANCE COULD SWING ON PERSONALITIES, NAMELY AMBROSE ROUX AND ANDRE GIRAUD, THE RESPECTIVE PATRONS OF TWO RIVAL ELITE GROUPS OF POLYTECHNICIENS: THE CORPS DES MINES AND THE LARGER BUT LESS INFLUENTIAL CORP DES PONTS ET CHAUSSEES (BRIDGES AND ROADS). HOWEVER, WE DOUBT IT. NO MATTER HOW INFLUENTIAL ROUX IS, CGE APPEARS TO BE LOSING ITS ONLY MARKET FOR NUCLEAR REACTORS, PARTICULARLY IF CEA REINFORCES FRAMATOME. IF CGE CANNOT OFFER AN ENTREE INTO THE FRENCH MARKET, ONE WONDERS WHAT KWU WOULD GET OUT OF THE PROPOSED MERGER (REPORTEDLY, THE TWO BOILING WATER TECHNOLOGIES ARE INCOMPATIBLE). THUS FRAMATOME STANDS A GOOD CHANCE OF EMERGING AS SOLE FURNISHER OF LIGHT WATER NUCLEAR REACTORS IN FRANCE.
GAMMON

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